

## Message Text

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PAGE 01 STATE 223937

13

ORIGIN NEA-06

INFO OCT-01 EUR-10 ISO-00 AID-05 CIAE-00 COME-00 EB-03

FRB-01 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-01 OPIC-02

SP-02 CIEP-01 LAB-01 SIL-01 OMB-01 PCH-02 L-02 NSC-07

SS-14 STR-01 CEA-01 /073 R

DRAFTED BY NEA/IAI:EWBIZIC:VF

APPROVED BY NEA/IAI:WTCLUVERIUS

EUR/NE:CFLOYD (SUBS)

EB/IFD/OMA: MTMINNIES

TREAS:WAHL (INFO)

CIEP:NIEHUSS (INFO)

FRB:GIMMEL (INFO)

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R 102147Z OCT 74

FM SECSTATE WASHDC

TO AMEMBASSY LONDON

INFO AMEMBASSY TEL AVIV BY POUCH

C O N F I D E N T I A L STATE 223937

E.O. 11652:GDS

TAGS: EFIN, IS, UK

SUBJECT: ISRAEL BRITISH BANK, LTD. (LONDON) FAILURE

1. IN MEETING WITH OFFICERS OF STATE, TREASURY AND CIEP  
OCTOBER 9, NORTH CAROLINA NATIONAL BANK REPRESENTATIVES  
ACTING FOR STEERING COMMITTEE OF US CREDITORS SAID THAT  
LONDON COURT AGREED TO POSTPONE LIQUIDATION OF IBB/LONDON  
FOR 28 DAYS FROM OCTOBER 7. NCNB REPS SAID THEIR LONDON  
BRANCH REPORTED THAT DELAY WAS TO CONSIDER POSSIBLE QUASI-  
RESCUE OPERATION SHORT OF COMPLETE LIQUIDATION INVOLVING  
BANK OF ENGLAND AND BANK OF ISRAEL. PROPOSAL CAME FROM  
IBB/LONDON SPECIAL MANAGER (MONTY ECKMAN OF PRICE WATER-  
HOUSE CO.) TO BRING BOE AND BOI TOGETHER FOR DISCUSSION  
OF MATTER. BOTH CENTRAL BANKS SO FAR HAVE DISCLAIMED ANY  
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PAGE 02 STATE 223937

RESPONSIBILITY TO IBB/LONDON CREDITORS.

2. NCNB/LONDON ALSO REPORTED THAT KNOWN DETAILS OF SUGGESTED RESCUE OPERATION INCLUDED 50-60 PERCENT PAY OUT OF CREDITORS CLAIMS WITH POSSIBLE REAL ESTATE ASSETS ADDED WHICH MIGHT SHOW FUTURE INCREASE IN VALUE. BOI GOVERNOR SANBAR HAS REPORTEDLY ALREADY REPLIED THAT PLAN WAS NOT SATISFACTORY BUT BOI WILLING COOPERATE WITH BOE ALONG OTHER LINES PREVIOUSLY DISCUSSED BUT UNKNOWN TO NCNB. NCNB REPS ADDED THAT SANBAR TOLD THEM DURING MEETING IN WASHINGTON SEPT. 29 THAT DURING RECENT IBRD/IMF MEETINGS HE HAD DISCUSSED IBB/LONDON MATTER WITH NUMEROUS CENTRAL

BANKERS WHO TOLD HIM THEY CONSIDERED IT STRICTLY BOE AFFAIR.

3. NCNB OFFICERS EXPRESSED DESIRE THAT SETTLEMENT BE WORKED OUT TO CREDITORS' SATISFACTION (I.E., 100 PERCENT RECOVERY) BEFORE LIQUIDATION. THEY OPINED THAT UNLESS ISSUE IS SATISFACTORILY RESOLVED, OUTCOME OF IBB/LONDON FAILURE MIGHT REBOUND TO THE DISADVANTAGE OF THE PRIVATE ISRAELI BANKING SECTOR AND GOI'S STANDING IN INTERNATIONAL FINANCIAL CIRCLES. IT MIGHT ALSO SET UNFORTUNATE PRECEDENT FOR LONDON MONEY MARKET. NCNB REPS STRESSED THAT JOINT BOE/BOI ACTION PROVIDING ONLY 50 PERCENT RECOVERY WOULD PROBABLY NOT BE SATISFACTORY TO CREDITORS, BUT US GROUP MIGHT BE WILLING TO NEGOTIATE AN EXPANSION OF ANY POSSIBLE BOE/BOI SETTLEMENT BY SECURING LONG TERM ARRANGEMENTS PROVIDING FULL RECOVERY OF THEIR LOSSES.

4. ACTION REQUESTED: PLEASE VERIFY LIQUIDATION DELAY AND REPORT ANY ADDITIONAL INFORMATION AVAILABLE ON BOE ATTITUDE OR PLANS FOR SETTLEMENT OF CREDITORS' CLAIMS. EMBASSY MIGHT WISH CONTACT NCNB/LONDON GENERAL MANAGER RICHARDS RODDEY (TELEPHONE 01-600-0401) BEFORE APPROACHING IBB/LONDON SPECIAL MANAGER ECKMAN, HIS DEPUTY (WHEATLEY) OR BOE OFFICERS. ABOVE INFORMATION PROVIDED BY NCNB ON STRICTLY CONFIDENTIAL BASIS AND EMBASSY SHOULD BE CIRCUMSPECT IN DIVULGING SOURCE AND EXTENT DETAILS KNOWN. INGERSOLL

NOTE BY OC/T: POUCHED TEL AVIV. CONFIDENTIAL  
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PAGE 03 STATE 223937

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## Message Attributes

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**Draft Date:** 10 OCT 1974  
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**Disposition Approved on Date:**  
**Disposition Authority:** shawdg  
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**Disposition Date:** 28 MAY 2004  
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**Secure:** OPEN  
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**Subject:** ISRAEL BRITISH BANK, LTD. (LONDON) FAILURE  
**TAGS:** EFIN, IS, UK  
**To:** LONDON  
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